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FM AMEMBASSY QUITO
TO RUEHC/SECSTATE WASHDC 9255
INFO RUEHBO/AMEMBASSY BOGOTA 7693
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RUEHLP/AMEMBASSY LA PAZ AUG LIMA 2753
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RUEKJCS/SECDEF WASHDC
RUEKJCS/JOINT STAFF WASHDC
RHEFDIA/DIA WASHINGTON DC
RHEHNSC/NSC WASHDC 2224
RHMFISS/HQ USSOUTHCOM MIAMI FL
RHMFISS/CDR USSOUTHCOM MIAMI FL
RHMFISS/DIRJIATF SOUTH J2
RHMFIUU/USSOUTHAF DAVIS MONTHAN AFB AZ
RUEAHQA/OSAF WASHDC
RUENAAA/SECNAV WASHDC
RUEADWD/SECARMY WASHDC

UNCLAS QUITO 000754

SENSITIVE
SIPDIS

PASS TO PRM PONGONIS
LAC/AA JOSE CARDENAS; LAC/SA JEFF BAKKEN;
EGAT/EG MARY OTT; LAC/RSD KERRY BYRNES

E.O. 12958: N/A

TAGS: [EAID](#) [ECON](#) [PREL](#) [PGOV](#) [EC](#)

SUBJECT: Ecuador Buys in (Literally) to USAID Northern Border
Project

11. (U) Summary: Security Minister Larrea confirmed that the GOE will match USAID funding for USAID's Northern Border Municipal Program. Larrea pledged \$6 million dollars for Plan Ecuador to match USAID's investment, and will work through USAID's contractor, the International Organization for Migration (IOM). This represents a sharp reversal of the GOE's stance of a few months ago, when it asked USAID to cancel an agreement with IOM and transfer the funds directly to Plan Ecuador. The reversal is due in part to changes in key GOE personnel, but also reflects the government's increasing recognition that it lacks the capacity to implement complex development or infrastructure projects. End summary.

12. (U) In late July, Gustavo Larrea, Coordinating Minister for Internal and External Security, and Juan Martinez, Secretary of Plan Ecuador, met with USAID staff to review USAID's Northern Border project. Reversing a GOE position that called for USAID to transfer resources to the GOE, the GOE representatives presented a new strategy to increase the GOE counterpart contribution to USAID's Northern Border Integrated Municipal Development Program. Minister Larrea offered to fund an additional \$6 million dollars for Plan Ecuador for the next fiscal year, to match USAID's \$6 million, and mentioned his interest in providing additional matching funds for the following three or four years. Moreover, Minister Larrea proposed passing these funds to USAID's contract implementer, the International Organization for Migration (IOM), a 180 degree shift in position from the GOE's opposition to IOM's participation in the program a few months ago.

Background on GOE's reversal on Northern Border Cooperation

13. (U) In 2007 the GOE's implementing arm of Ecuador's northern border development plan underwent multiple changes that threatened GOE buy-in to USAID's Northern Border Integrated Municipal Development Program (IMDP). UDENOR, the GOE's Northern Border Development Unit, had been the GOE's counterpart agency for USAID's Northern Border program. In early 2007, the UDENOR president resigned after the Correa administration took office. His replacement was far less sympathetic towards USAID's program and objectives. That official resigned in October 2007 just before UDENOR was abolished by a presidential decree. UDENOR was replaced

by the Plan Ecuador Secretariat, the GOE's new entity responsible for northern border development.

¶4. (U) Plan Ecuador's new Director began a series of communications with USAID stating that USAID should end its cooperative agreement with the International Organization for Migration (IOM), and transfer assistance funds to the Plan Ecuador Secretariat so that the Secretariat could carry out its own contracting to implement infrastructure programs in the northern border region. This was unacceptable to USAID for many reasons, so a protracted negotiation began between USAID and Plan Ecuador to maintain IMDP alive. In the interim many northern border development activities were suspended.

¶5. (U) In January, USAID finally obtained the "green light" from Plan Ecuador to move forward with IMDP. Then, unexpectedly, the Secretary of Plan Ecuador resigned in March 2008 and the Secretariat was transferred to the Coordinating Ministry of Internal and External Security. In April, Juan Martinez was appointed as the new Secretary of Plan Ecuador. That same month former U.S. Ambassador Jewell and Minister Larrea participated in two inaugurations of infrastructure activities in the northern province of Sucumbios. Since then, several more inaugurations have taken place that have included participation by GOE officials, which symbolize the GOE's interest in cooperation in northern border development and the resumption of normal project activities.

¶6. (SBU) Martinez brought a new vision for Plan Ecuador. He understood that USAID's program had suffered from months of delays and, more importantly, that Plan Ecuador's implementing capacity was limited. Demanding that USAID transfer its resources to the GOE with the expectation that Plan Ecuador would carry out the projects means delays in achieving the results that both the USG and GOE had committed to achieve. Instead, Martinez has sought to strengthen Plan Ecuador's relationship with USAID by seeking synergies with USAID programs that could benefit the northern border population, such as the Agency's work to improve the standard of living of indigenous tribes that live in protected areas along the border. Minister Larrea, who has maintained a pragmatic relationship with the Embassy on a number of projects, evidently shares this perspective.

¶7. (SBU) Comment. The initial reluctance of the Correa Administration to work with USAID's Northern Border project was, in large part, a reflection of the administration's ongoing reorganization and belief that the government should administer as much as possible. The new position articulated by Minister Larrea reflects in part a renewed vote of confidence for USAID's and IOM's efforts. But it also reflects a broader awareness within the Correa Administration that the government has limited administrative capacity, and as a result the administration is increasingly willing to work with other actors to implement its programs, including NGOs and the private sector.

HODGES